

FINAL REGULATION TEXT
TITLE 10, CALIFORNIA CODE OF REGULATIONS
CHAPTER 5, SUBCHAPTER 4.7

FILE NO: RH01018834

NOTICE FILE NO: Z02-0628-01

DATE: OCTOBER 21, 2002

Deletions from existing regulations are in strikeout format. Additions or amendments to the existing regulations as proposed in the July 2, 2002 Notice are in italic format. Additions or amendments proposed with this Notice are in italic and underlined.

ARTICLE 3

§2632.8 Factor Weights.

(a) For each type of coverage, four factor weights shall be ~~calculated~~, *evaluated*. *These four weights are:* one weight for each of the three mandatory factors listed in Section 2632.5(c)(1) through (3) and one for all the optional factors (from Section 2632.5(d)) ~~taken weights averaged together as a single factor weight~~.

(b) The data used to compute the weight shall be based on one of the following:

1. All of the subject company's currently insured vehicles;
2. The same data set used to perform the sequential analysis in Section 2632.7; or
3. The set of insured vehicles that may be published by the Department of Insurance.

(c) ~~For every insured vehicle in the data set and each rating factor utilized in the class plan:~~

- ~~1. First, calculate the premium using the initial relativities from Section 2632.7(c);~~
- ~~2. Second, calculate the premium excluding the rating factor being analyzed;~~
- ~~3. Third, calculate the absolute value of the difference between subdivision (c)(1) and subdivision (c)(2);~~
- ~~4. The weight for the rating factor being analyzed is the summation of the amounts in subdivision (3) divided by the number of calculations.~~

The weight of a rating factor is defined as follows:

*For additive and multiplicative factors, the weight of Rating Factor $j = \sum (R_i - R) / *E_i * B$. For additive and multiplicative factors, compute $R_i - R$, $*E_i * B$ for each category of rating factor j . The weight for rating factor j is then the sum of all these numbers (as i runs across all categories of rating factor j).*

Where R_i – Balanced relativity of the i^{th} category of rating factor j (the superscript j is omitted, the same below)

R – Weighted average relativity (the balanced relativities are weighted by the percent of exposure so that R should be equal to 0 for additive factors and 1 for multiplicative factors)

E_i – Percent of exposure in the i^{th} category of rating factor j

B – Base rate

NOTE: Authority: Section 1861.02, California Insurance Code; *Spanish Speaking Citizens Foundation, Inc. v. Low* (2000) 85 Cal.App.4th 1179 and *Calfarm Insurance Company v. Deukmejian* (1989) 48 Cal.3d 805. Reference: Sections 1861.02 and 1861.05, California Insurance Code.